

Message Text

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14

ACTION EB-11

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 7155

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C O N F I D E N T I A L KUWAIT 2540

E.O. 11652: GDS

TAGS: ENRG KU US

SUBJ: AVAILABILITY OF PROPANE

REF: (A) STATE 131388 (B) KUWAIT 2343 (NOTAL)

1. PRESENTLY ALL LPG IN KUWAIT IS PRODUCED BY KOC. IN 1972 7.6 MILLION US BARRELS PROPANE, 7.4 MILLION US BARRELS BUTANE AND 5.6 MILLION US BARRELS NATURAL GASOLINE WERE PRODUCED AND ALMOST ALL WAS EXPORTED TO JAPAN PRESUMABLY UNDER LONG TERM CONTRACTUAL ARRANGEMENTS. WE UNDERSTAND KOC'S OWNERS, BP AND GULF, RESPECTIVELY HAVE ARRANGEMENTS WITH MITSUI AND BRIDGESTONE AND WITH MITSUBISHI. ALL MARKETING, INCLUDING PRICING IS DONE FROM LONDON, AND KOC OFFICIALS IN KUWAIT NOT AUTHORIZED DISCUSS EITHER MARKETING OR PRICES. CONSENSUS AMONG KOC AND GOK SOURCES IS THAT NO RPT NO LPG WOULD BE AVAILABLE FOR US UNLESS BP OR GULF WERE WILLING AND ABLE DIVERT LPG WHICH TRADITIONALLY HAS BEEN EXPORTED TO JAPAN.

2. NO OTHER SOURCE LPG EXISTS ALTHOUGH GOK EXPECTS TO HAVE KNPC DEVELOP GAS RESOURCES. FIRST BECHTEL MUST COMPLETE OVERALL GAS RESOURCES STUDY (REF B), AND BY TIME FACILITIES CONSTRUCTED AND ON STREAM IT WILL BE 1976 OR 1977 ACCORDING GOK ESTIMATES.

3. SIMILARLY JAPANESE-OWNED ARABIAN OIL COMPANY MAY ESTABLISH LPG FACILITY IN KUWAIT OR NEAR KHAFJI, SAUDI ARABIA, BUT IT
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WILL BE COUPLE OF YEARS AT LEAST BEFORE IT WILL BE OPERATIONAL.

IN ANY CASE, LPG PRODUCED ALMOST CERTAINLY WILL BE FOR JAPANESE MARKET.

4. NO GOK EXPORT CONTROLS ANTICIPATED. HOWEVER, GOK GAS POLICY RESERVING FURTHER EXPLOITATION ASSOCIATED GAS TO GOK EFFECTIVELY LIMITS PRODUCTION BY KOC TO EXISTING LEVELS.

5. IN SUMMARY APPEARS IN NEAR TERM NO PROPANE WILL BE AVAILABLE FROM KUWAIT FOR EMERGENCY USE IN US UNLESS GULF AND/OR BP WILLING DIVERT SUPPLIES NORMALLY EXPORTED TO JAPAN. EVENTUALLY KNPC LIKELY TO BE IMPORTANT MARKETER LPG AND SOME US PURCHASERS ALREADY BEGINNING TO TRY TO MAKE ARRANGEMENTS IMPORT LPG FROM THEM.
STOLTZFUS

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